ADC

AGRICULTURAL DEVELOPMENT CORPORATION

ANNUAL REPORT

Alberta

1982-83

Presentation to the Minister of Agriculture

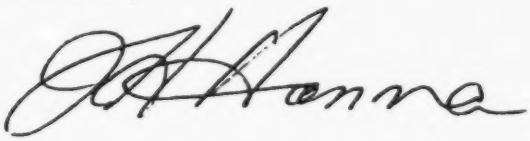
The Honourable LeRoy Fjordbotten
Minister of Agriculture

Sir:

On behalf of the Board of Directors, I am pleased to submit the tenth Annual Report of the Alberta Agricultural Development Corporation covering the fiscal year ending March 31, 1983.

As required by Section 9 of the Agricultural Development Act (1972), the report contains a summary of the business affairs of the corporation, statements of revenue, expense and retained earnings, a review of the corporate financial position, and a balance sheet.

Yours truly,



J. Harold Hanna
Chairman and Managing Director

July 20, 1983

Board of Directors

Chairman and Managing Director

J. Harold Hanna - Camrose

Directors

Gilbert Balderston - Sexsmith
James Elliott - Fairview
Gerald Gunby - Debolt
George Hutskal - Bonnyville
Paul Madge - Milk River
Olivier Noel - St. Lina
Gloria Paquette - Pickardville
Arthur Rendfleisch - Edmonton
Barbara Tiegs - Brooks

Corporation Officers and Senior Staff

(Camrose Head Office except where otherwise noted)

Chairman and Managing Director	J. Harold Hanna
General Counsel	Crawford Ferguson
Managing Solicitor	Nestor Nychka
Executive Assistant to Chairman and Secretary to Board	Brian J. Quinn
General Manager, Lending	Robert Thompson
Manager, Agribusiness Lending	Peter McNeil *(appointed August, 1983)*
Manager, Farm Lending	Randy W. Niven
Regional Managers:	
Lethbridge	Gordon Bruins
Airdrie	Peter Young
Red Deer	Ken Friesen *(appointed June, 1983)*
Vermilion	Peter Ignatiuk
Barrhead	Lyle Roberts
Fairview	Frank Blush
General Manager, Administration	E. George Suarez
Manager, Financial Services	D.J. Schurman
Manager, Human Resources	Sylvia Moysa
Manager, Loan Administration	Paul D. Stanley
Manager, Alberta Farm Development Loan Program	John Bohach

Contents

	Section 1
Presentation to the Minister of Agriculture	1
Board of Directors	2
Corporation Officers and Senior Staff	2
Chairman's Report	4
Corporate Operations Overview	6
Lending Programs	8
Regional Map	10
Corporation Office Locations	10
A.D.C. Lending Activity: A Ten Year Comparison	13
1982-83 Comparative Data	14
Auditor's Report and Financial Statements	Section 2

Chairman's Report

The fiscal year ending March 31, 1983, marked the tenth anniversary of the Alberta Agricultural Development Corporation. It was a year of unprecedented challenge as Alberta's agricultural industry struggled to cope with the effects of worldwide economic stress. As a supplementary lender, ADC placed emphasis on assisting existing producers and agribusiness firms to cope with the complex, unfavourable circumstances they endured. In this manner, ADC played a key role in reinforcing the fundamental strength of the family farm as the basis for a productive, efficient agricultural industry. The Corporation is committed to responding to the changing agricultural credit needs of farmers and agribusinesses by providing assistance through direct loans for long term requirements and an extensive loan guarantee program through commercial lenders to cover short and intermediate term financing.

The growth of the Corporation's lending activity since its inception in 1972 demonstrates the ability of ADC to meet the changing credit requirements of agriculture. In 1972-73 the Corporation's lending activity consisted of $12.6 million in direct and specific guaranteed loans, plus $0.3 million in Alberta Farm Development Loans. In 1982-83, direct and specific guaranteed loan authorizations were $252 million and Alberta Farm Development Loans totalled $80 million.

ADC's programs and policies have been developed with a view to assisting those with modest asset and net worth levels to establish or maintain viable farming and agribusiness operations. In the farming sector, ADC's emphasis continues to be on assisting beginning farmers.

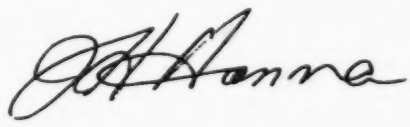
Today, more than ever before, financial success depends on cost control and overall efficiency. ADC placed increased emphasis on financial counselling to both existing borrowers and new applicants. Most borrowers continue to make their payments on time. ADC is committed to helping those in difficulty, wherever possible. Under current economic circumstances, borrowers are counselled to objectively consider capital purchases and expansion plans from a financial point of view prior to committing to the capital requirement.

During the year, the Corporation undertook several initiatives to improve ADC's organizational and operational efficiency. Most notable was a reorganization of ADC's lending staff which involved establishing Agribusiness Lending as a separate operational unit, and having the Regional Managers report directly to the General Manager of Lending. A new position — Operations Analyst — was created to ensure corporate policies and procedures are carried out on a uniform basis throughout the province. Another step taken was to embark on a major conversion to electronic data processing and to upgrade and expand the Corporation's word processing capability.

Considerable progress has been made in dealing with requests for financial assistance in a timely, responsive manner. The time required to process loans has been reduced through the introduction of new application forms and changes in procedures to speed processing. Efforts in this regard are continuing.

In looking to the future, it is my belief that, while there are unprecedented challenges to be faced by agriculture, it possesses a basic underlying strength that will allow it to meet the challenges with vigor and enthusiasm. ADC will continue to take a sympathetic approach to each individual's financial circumstances and, where possible, alleviate their difficulties. With the downward movement of interest rates, a trend to greater use of the Corporation's guarantee programs is evident and is expected to continue.

Without question, agriculture is a pivotal industry in Alberta. The Corporation is committed to continuing in a manner that will assist its continued growth and development.



Corporate Operations Overview

Highlights

In this tenth anniversary year since the formation of ADC, once again the main thrust of lending activity involved the provision of funds to farmers to purchase land, buildings, livestock, machinery and equipment, and to assist agribusinesses.

Following the policy of prior years, ADC continued to be a lender of last resort in all areas except in the Beginning Farmer Program and Rural Gas Co-op Financing.

As a supplementary lender, ADC was successful in filling the gap in agricultural lending available through other lenders.

Financial assistance which the Corporation provided to Alberta farmers and agribusinesses during the year involved 7,130 accounts for $332.8 million, distributed as in the table below.

Despite generally high and fluctuating levels of commercial interest rates, ADC maintained its preferred direct farm lending interest rate at 12% for the third consecutive year, and its agribusiness direct lending interest rate at 15% for the second consecutive year.

The Corporation's major direct farm loan program is the Beginning Farmer Program. Under this program, borrowers are allowed to phase into farming in two stages. In 1982-83, 566 borrowers chose non-staged loans totalling $101.3 million. Five hundred and sixty-six applicants elected to receive Stage I loans for $64.3 million, and Stage II loans totalling $4.5 million were made to 66 borrowers who had previously decided to phase into farming.

Several changes were made to the Corporation's programs in order to better meet the changing requirements of the agriculture industry.

A change was made to allow the purchase of, or improvements to, houses and mobile homes under all ADC's direct farm loan programs.

The Native Range Improvement Program was superseded on April 1, 1982, by the Range and Soil Improvement Program. This increased the loan eligibility for incentives to $10,000 for individual family farms, and $20,000 for multi-family companies and partnerships. In addition, the program now includes deep plowing and the application of lime.

The Disaster Assistance Loan Program was substantially changed during the year with the view of making it more responsive to the needs of primary producers who have suffered an agricultural disaster and where the viability of the farming operation is endangered.

The optional direct loan group life insurance plan continued to be popular with direct borrowers. At the year end approximately 4,040 clients were participating in this plan, representing an insured portfolio of $470 million.

Total Lending Activity

1,198	Beginning Farmer Loans	$170.1 million
288	Direct Farm Loans	$ 34.2 million
58	Specific Guaranteed Farm Loans	$ 11.5 million
5,535	Alberta Farm Development Loans	$ 88.3 million
30	Direct Agribusiness Loans	$ 8.8 million
21	Specific Guaranteed Agribusiness Loans	$ 28.7 million

Farm Lending

Following the trend of the past few years, farm lending was extremely active. The overall volume of direct and specific guaranteed farm lending in 1982-83 resulted in 1,544 loans for $215.8 million, a decrease of 5% from 1981-82.

The major portion of direct farm lending was provided under the Beginning Farmer Program, amounting to 1,198 loans for $170 million which was a 12% reduction from 1981-82. The Corporation's other direct farm loan program (Part "A" and Part "B") — remained fairly constant at 288 loans for $34.2 million in comparison to 260 loans for $31.4 million in 1981-82.

Incentive payments earned by beginning farmers in 1982-83 totalled $21.9 million compared with $13.1 million in 1981-82 — a 67% increase. By this means, beginning farmers are assisted with the development of their farms. In addition, other developing farmers with modest operations continued to be eligible for a 3% interest reduction on their direct farm loans for the first five years to assist with their development.

Regional and district offices were extremely busy during the year, conducting 35,485 field office interviews compared with 28,800 in 1981-82 — an increase of 23%. In addition, 3,724 farm visits were made, reflecting the level of service provided by ADC staff to the Alberta agricultural community.

Agribusiness Lending

The agribusiness lending growth pattern established in recent years continued, with emphasis on loan guarantees rather than direct loans. In 1982-83, 21 specific guarantees for $28.7 million and 30 direct loans for $8.0 million were approved. This compares to 20 specific guarantees for $13.9 million and 37 direct loans for $11.9 million in 1981-82. The agribusiness portfolio now includes 123 accounts, representing $54.5 million. There were 21 extensions to existing operating loans authorized during the period, for a total of $3.4 million.

During the year, special incentive programs were introduced to assist the troubled alfalfa processing industry cope with lack of availability of raw material and poor market conditions. Total incentive payments made under these programs amounted to nearly $900,000.

Continued assistance to the rural gas co-ops resulted in 8 loans in the amount of $1.7 million that assisted in the improved viability of rural centres and provided additional services to the Alberta farmer.

A new program was developed to provide assistance to municipal seed cleaning plants to meet the changing needs and the rapid increase in capital construction costs. ADC provided direct term loan funds at the agribusiness preferred rate of interest and were not a lender of last resort in this instance. Five seed cleaning plants took advantage of this special assistance, resulting in loans for $0.8 million.

The demand for direct term loans by agribusinesses decreased in the latter part of the year, due to the decreasing interest rates available from commercial lending institutions. However, as a supplemental lender, ADC expects to have a continuing role to play in meeting agribusinesses' financial requirements that involve substantial risks due to the businesses' developmental nature that will not be handled by other lenders.

Financial Assistance Available

ADC provides financing by way of direct loans and facilitates the acquisition of financing from other lenders by providing guarantees to those lenders.

ADC's lending programs service two basic client groups. The largest client group is farmers and the other is agribusiness.

Lending Programs

Direct Farm Loans:

- Maximum $200,000 or $600,000 for partnerships and corporations based on $200,000 per family.
- Five year renewable mortgage. Maximum 1% change in interest rate at time of renewal.

Beginning Farmer Program:

Purposes
- Land and permanent improvements (including housing).
- Livestock and equipment.
- Financial restructuring.

Eligibility
- Has not previously farmed a viable farm with an owned land base.
- Maximum pro-forma: Assets $350,000; Net Worth $175,000.

Terms
- Preferred interest rate, incentive of 6% for first five years.
- Up to 30 year repayment.
- Staged option allows drawdown in two stages over four years.

Direct Loans Part "A" and "B":

Purpose
- Land and permanent improvements (including housing).
- Financial restructuring.

Terms

Preferred interest rate reduced by 3% for five years (Part 'A' only).
- Up to 30 year loan except 20 years for financial restructuring.

Eligibility - Part "A"
- Maximum pro-forma: Assets $450,000; Net Worth $225,000.
- Lender of last resort criteria apply.

Eligibility - Part "B"
- Pro-forma assets or net worth in excess of Part "A".
- Lender of last resort criteria apply.

Agribusiness Direct Loans:

Purpose
- Land and buildings.
- Equipment (except mobile equipment).
- Permanent improvements.

Eligibility
- Businesses producing or processing products or providing agricultural services.
- Lender of last resort criteria apply.

Terms
- Agribusiness preferred interest rate.
- Gas co-ops special category interest rate for gas rate borrowings.
- No maximum loan amount.

Guaranteed Loans

ADC guarantees repayment of financing from other lenders.

Interest rate of a maximum of prime plus 1% for loans up to 10 years or prime plus 1.5% for loans between 10 and 15 years.

Specific Guarantees:

Purpose
- Any purpose associated with primary production or agribusinesses.

Eligibility
- Producers or processors of agricultural products and businesses providing agricultural services.
- Lender of last resort criteria apply.

Terms
- No maximum loan limit.

Alberta Farm Development Loan (A.F.D.L.):

Purpose
- Any purpose associated with primary production except debt consolidation.

Eligibility
- Producers of agricultural products.

Terms
- Maximum $100,000 loan.

A.F.D.L. INCENTIVE PROGRAMS designed to provide additional assistance to various producer groups: RANGE AND SOIL IMPROVEMENT PROGRAM; SHEEP PRODUCERS' INCENTIVE PROGRAM and VEGETABLE AND POTATO STORAGE PROGRAM.

Alberta Agricultural Development Corporation

HEAD OFFICE
Alberta Agricultural Development Corporation
4910 - 52 Street
CAMROSE, Alberta
T4V 2V4

Telephone
Area 403 679-1311

REGIONAL/DISTRICT OFFICES

South Region

REGIONAL OFFICE	Agriculture Centre LETHBRIDGE, Alberta T1J 4C7	329-5102
DISTRICT OFFICES		
BROOKS	Room 109 Provincial Bldg. BROOKS, Alberta T0J 0J0	362-5551
CARDSTON	Provincial Building Main Street CARDSTON, Alberta T0K 0K0	653-4461
CLARESHOLM	Provincial Building CLARESHOLM, Alberta T0L 0T0	625-3301
MEDICINE HAT	Room 104 Provincial Building 770 - 6th Street S.W. MEDICINE HAT, Alta. T1A 4J6	529-3616
TABER	Administration Bldg. TABER, Alberta T0K 2G0	223-4471
VULCAN	County Building 102 Centre Street VULCAN, Alberta T0L 2B0	485-2236

South Central Region

REGIONAL OFFICE	Agriculture Regional Centre AIRDRIE, Alberta T0M 0B0	948-5101
DISTRICT OFFICES		
CALGARY	M.D. of Rocky View Building 911 - 32 Avenue, N.E. CALGARY, Alberta T2E 6X6	261-6281
DRUMHELLER	Provincial Building 201 Centre Street DRUMHELLER, Alberta T0J 0Y0	823-5740
HANNA	New Provincial Bldg. 402 Centre Street HANNA, Alberta T0J 1P0	854-4451
OLDS	New Provincial Bldg. OLDS, Alberta T0M 1P0	556-4220

North Central Region

REGIONAL OFFICE	3rd Floor Provincial Building 4920 - 51 Street RED DEER, Alberta T4N 6K8	343-5326
DISTRICT OFFICES		
CAMROSE	District Extension Office 4909C - 48 Street CAMROSE, Alberta T4V 1L7	679-1229
LACOMBE	Agriculture Building Bag Service 47 LACOMBE, Alberta T0C 1S0	782-3301
RED DEER	Main Floor Provincial Building 4920 - 51 Street RED DEER, Alberta T4N 6K8	343-5364
STETTLER	Provincial Building 4809 - 48 Street Bag Service 600 STETTLER, Alberta T0C 2L0	742-4481
WETASKIWIN	5201 - 50 Avenue Provincial Building WETASKIWIN, Alberta T9A 0S7	352-1243

North East Region

REGIONAL OFFICE	4701 - 52 Street Provincial Building VERMILION, Alberta T0B 4M0	853-2811
DISTRICT OFFICES		
BONNYVILLE (opened September, 1983)	Provincial Building BONNYVILLE, Alberta T0A 0L0	826-3388
SMOKY LAKE	Provincial Building SMOKY LAKE, Alberta T0A 3C0	656-3613
ST. PAUL	Provincial Building ST. PAUL, Alberta T0A 3A0	645-6301
TWO HILLS	Provincial Building TWO HILLS, Alberta T0B 4K0	657-3311
VEGREVILLE	Professional Building 4902 - 50 Street VEGREVILLE, Alberta T0B 4L0	632-5461
VERMILION	4701 - 52 Street Provincial Building District Extension Office VERMILION, Alberta T0B 4M0	853-2811
WAINWRIGHT	Provincial Building WAINWRIGHT, Alta. T0B 4P0	842-6126

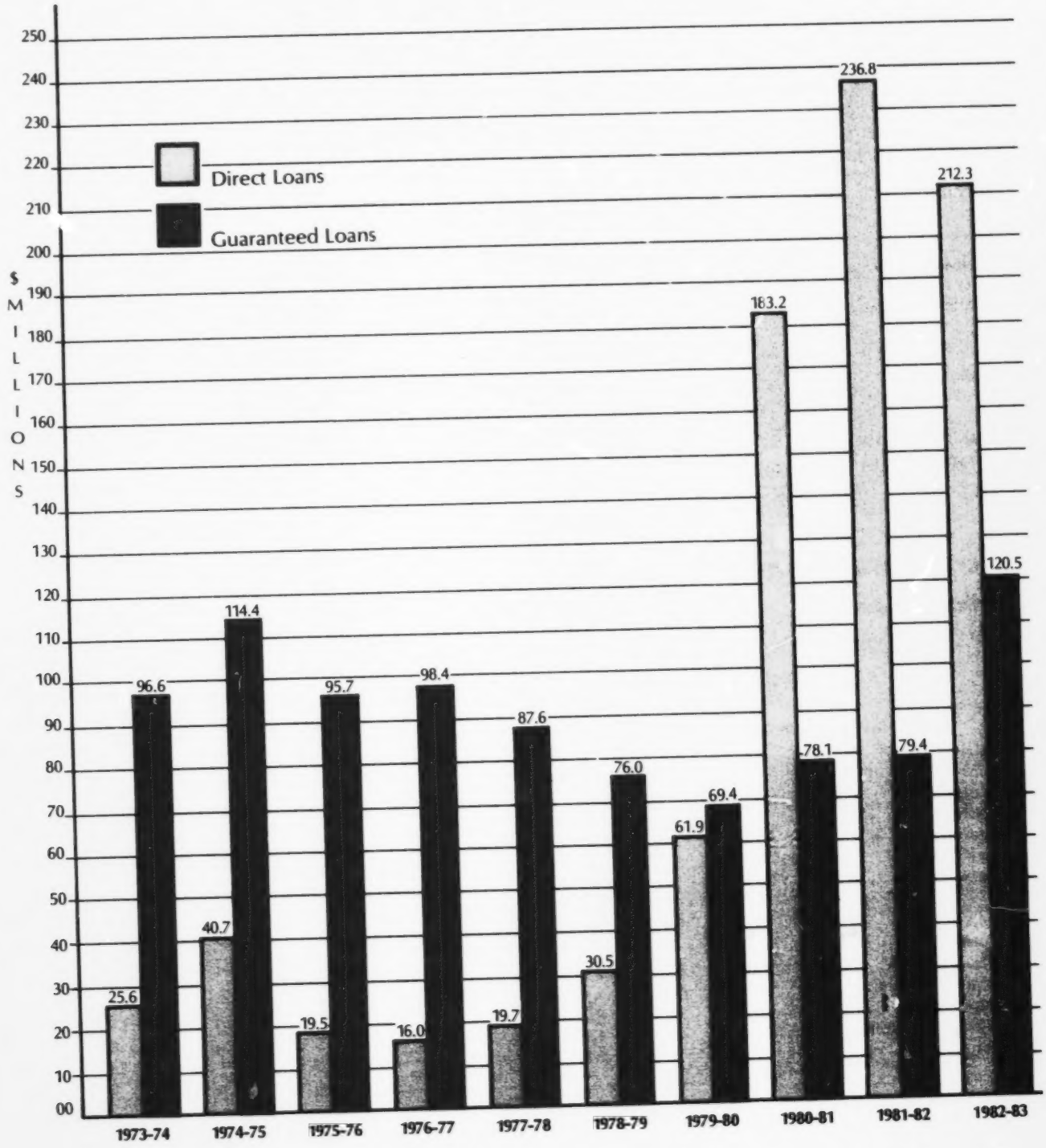
North West Region

REGIONAL OFFICE	Provincial Building BARRHEAD, Alberta T0G 0E0	674-8258
DISTRICT OFFICES		
ATHABASCA	Room 203 Provincial Building ATHABASCA, Alberta T0G 0B0	675-2252
BARRHEAD	Provincial Building BARRHEAD, Alberta T0G 0E0	674-8213
EDMONTON	O.S. Longman Bldg. - Annex 6905 - 116th Street EDMONTON, Alberta T6H 4P2	427-2451 427-2452 427-2453
EVANSBURG	Provincial Building EVANSBURG, Alberta T0E 0T0	727-3673
WESTLOCK	9951 - 100 Street Provincial Building WESTLOCK, Alberta T0G 2L0	349-4465

Peace River Region

REGIONAL OFFICE	Provincial Building FAIRVIEW, Alberta T0H 1L0	835-4975
DISTRICT OFFICES		
GRANDE PRAIRIE	Room 3101, 3rd Floor Provincial Building 10320 - 99 Street GRANDE PRAIRIE, Alta. T8V 6J4	539-2280
PEACE RIVER	Bag 900, Box 19 Provincial Building PEACE RIVER, Alberta T0H 2X0	624-6170
FALHER	Provincial Building Main Street FALHER, Alberta T0H 1M0	837-2211
SPIRIT RIVER	Provincial Building SPIRIT RIVER, Alberta T0H 3G0	864-3597
FORT VERMILION	District Extension Office Box 40 FT. VERMILION, Alta. T0H 1M0	927-3712

ADC Lending Activity: A 10 Year Comparison



1982-83 Comparative Data

Summary of Lending Activity

By Major Client Group and Type of Assistance
for the years ending March 31, 1983 and 1982

	1982-83		1981-82		Accumulated Authorizations June 1972 to March 1983		Active and Outstanding March 1983	
	No.	$Millions	No.	$Millions	No.	$Millions	No.	$Millions
Farm								
Direct Loans	1,486	$204.3	1,550	$224.9	9,320	$ 828.5	*7,628	*$707.9
Specific Guaranteed Loans	58	11.5	35	1.8	1,691	66.5	282	7.5
Alberta Farm Development Loans	5,535	80.3	4,546	63.7	82,343	732.1	15,348	152.0
	7,079	$296.1	6,131	$290.4	93,354	$1,627.1	23,258	$867.4
Agribusiness								
Direct Loans	30	$ 8.0	37	$ 11.9	127	$ 31.3	84	$ 22.4
Specific Guaranteed Loans	21	28.7	20	13.9	393	141.2	39	32.1
	51	$ 36.7	57	$ 25.8	520	$ 172.5	123	$ 54.5
TOTALS	**7,130**	**$332.8**	**6,188**	**$316.2**	**93,874**	**$1,799.6**	**23,381**	**$921.9**

*These figures include 725 Farm Purchase Board Loans, with $3.9 million still outstanding, approved prior to June 1972.

Direct Farm Loan Authorizations

Distribution Analysis

for the years ending March 31, 1983 and 1982

	Beginning Farmer Program				Part A and Part B				Totals			
	1982-83		1981-82		1982-83		1981-82		1982-83		1981-82	
	No.	$Millions	No.	$Millions	No.	$Millions	No.	$Millions	No.	$Millions	No.	$Millions
By Region												
# 1 South	235	$ 37.2	237	$ 40.5	67	$ 8.6	52	$ 6.9	302	$ 45.7	289	$ 47.4
# 2 South Central	154	23.0	155	23.9	14	1.8	17	2.2	168	24.8	172	26.1
# 3 North Central	302	41.7	335	49.9	64	7.9	65	7.8	366	49.7	400	57.7
# 4 North East	239	32.0	160	24.4	58	6.5	37	4.7	297	38.6	197	29.1
# 5 North West	109	16.7	188	26.3	37	4.3	44	5.3	146	21.0	232	31.6
# 6 Peace River	159	19.5	215	28.5	48	5.1	45	4.5	207	24.5	260	33.0
	1,198	**$170.1**	**1,290**	**$193.5**	**288**	**$34.2**	**260**	**$31.4**	**1,486**	**$204.3**	**1,550**	**$224.9**
By Purpose*												
Land	974	$147.3	1,081	$172.5	100	$13.2	137	$18.7	1,074	$160.5	1,218	$191.2
Equipment & Livestock	91	7.8	107	7.9	6	0.2	10	0.4	97	8.0	117	8.3
Buildings	39	4.7	43	8.0	26	2.5	18	1.4	65	7.2	61	9.4
Financial Restructuring	66	7.8	36	4.3	135	17.0	82	10.0	201	24.8	118	14.3
Housing	14	0.9	23	0.8	17	1.0	5	0.3	31	1.9	28	1.1
Other	14	1.6	—	—	4	0.3	8	0.6	18	1.9	8	0.6
	1,198	**$170.1**	**1,290**	**$193.5**	**288**	**$34.2**	**260**	**$31.4**	**1,486**	**$204.3**	**1,550**	**$224.9**

*Each loan is classified by its major purpose.

Alberta Farm Development Loan Authorizations

Distribution Analysis
for the years ended March 31 1983 and 1982

	1982 - 83 No.	1982 - 83 $Millions	1981 - 82 No.	1981 - 82 $Millions
By Region				
#1 South	960	$20.0	864	$15.9
#2 South Central	409	6.3	313	4.8
#3 North Central	1,047	17.2	840	12.2
#4 North East	1,182	14.0	822	10.2
#5 North West	1,121	13.3	887	10.7
#6 Peace River	816	9.5	820	9.9
	5,535	**$80.3**	**4,546**	**$63.7**
By Purpose				
Land	85	$ 3.4	54	$ 2.0
Equipment & Vehicles	2,699	38.5	2,360	31.2
Buildings	263	3.7	296	4.8
Livestock	775	10.8	630	8.5
Operating Capital	883	15.1	741	12.1
Dairy Facilities	55	1.1	89	1.8
Clearing & Breaking	615	4.3	299	1.7
Housing	125	2.9	52	1.2
Other	35	0.5	25	0.4
	5,535	**$80.3**	**4,546**	**$63.7**

Program Incentives Earned

Distribution Analysis (including accruals)
for the years ended March 31, 1983 and 1982

	1982 - 83 No.	1982 - 83 $000's	1981 - 82 No.	1981 - 82 $000's
By Region				
#1 South	808	$ 5,256.3	528	$ 2,963.8
#2 South Central	465	2,412.9	322	1,529.6
#3 North Central	1,164	5,806.7	967	3,766.0
#4 North East	767	2,687.1	599	1,698.5
#5 North West	1,192	3,981.4	1,017	2,139.9
#6 Peace River	752	3,618.2	499	1,874.5
	5,148	**$23,762.6**	**3,932**	**$13,972.3**
By Program				
Beginning Farmer	3,468	$21,859.3	2,275	$13,077.0
Dairy Development Incentive	408	529.8	440	487.5
Alfalfa Inventory Support	12	366.6	—	—
Alfalfa Earned Incentives	10	340.0	—	—
Native Range Incentive	1,096	315.1	1,077	286.4
Alfalfa Industry	11	187.7	—	—
Sheep Incentive	93	57.0	112	42.3
Vegetable Storage	17	54.1	6	4.5
Farm Booster	30	44.4	18	19.0
Grants to Estates of Deceased Borrowers	3	8.6	4	55.6
	5,148	**$23,762.6**	**3,932**	**$13,972.3**

Specific Guaranteed Farm Loan Authorizations

Distribution Analysis
for the years ended March 31, 1983 and 1982

	1982 - 83 No.	1982 - 83 $Millions	1981 - 82 No.	1981 - 82 $Millions
By Region				
#1 South	3	$ 0.3	3	$0.1
#2 South Central	4	8.1	5	0.5
#3 North Central	5	0.3	3	0.1
#4 North East	9	0.7	4	0.2
#5 North West	30	1.8	16	0.6
#6 Peace River	7	0.3	4	0.3
	58	**$11.5**	**35**	**$1.8**
By Purpose				
Land	2	$ 0.2	2	$0.3
Equipment	4	0.2	8	$0.2
Buildings	1	—	—	—
Livestock	5	0.3	10	0.3
Operating Capital	20	8.2	5	0.1
Financial Restructuring	25	2.6	10	0.9
	58	**$11.5**	**35**	**$1.8**

Agribusiness Loan Authorizations

Distributions Analysis
for the years ended March 31, 1983 and 1982

	1982 - 83 Direct No.	1982 - 83 Direct $Millions	1982 - 83 Guaranteed No.	1982 - 83 Guaranteed $Millions	1981 - 82 Direct No.	1981 - 82 Direct $Millions	1981 - 82 Guaranteed No.	1981 - 82 Guaranteed $Millions
Type of Business								
Alfalfa Processing	8	$2.4	3	$ 2.6	9	$ 5.9	12	$ 3.4
Abattoir	3	1.2	3	0.4	2	0.9	—	—
Vet Clinic	1	0.2	—	—	1	0.2	—	—
Gas Co-op	8	1.7	—	—	20	3.4	—	—
Rapeseed Crushing	—	—	2	23.0	—	—	2	5.5
Mushroom Farm	2	1.1	1	0.5	—	—	1	4.0
Seed Cleaners	5	0.8	—	—	—	—	—	—
Other	3	0.6	12	2.2	5	1.5	5	1.0
	30	**$8.0**	**21**	**$28.7**	**37**	**$11.9**	**20**	**$13.9**

Auditor's Report and Financial Statements

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Agricultural Development Corporation

I have examined the balance sheet of the Alberta Agricultural Development Corporation as at March 31, 1983 and the statements of revenue, expense and retained earnings, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles, applied, after giving retroactive effect to the change in the method of accounting for fixed assets as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

C.A.
Auditor General

Edmonton, Alberta
June 30, 1983

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

Balance Sheet

as at March 31, 1983

Statement A

	1983	1982
Assets		
Current:		
Cash	$ 750	$ 750
Deposits in trust (Note 5)	7,451,920	27,437,090
Accounts receivable	109,281	63,160
Accrued interest receivable (Note 6)	35,001,965	23,956,284
Guarantee implementations receivable (Notes 7 and 12)	1,516,392	2,205,088
Principal due within one year on direct loans receivable (Note 8)	25,929,772	16,998,566
	70,010,080	70,660,938
Direct loans receivable (Notes 8 and 12)	689,994,277	506,699,061
Other (Notes 9 and 12)	652,230	568,960
Fixed assets (Notes 3 and 10)	315,879	85,250
Trust (Note 11)	86,914	109,823
	$761,059,380	$578,124,032
Liabilities		
Current:		
Accounts payable, Province of Alberta	$ 19,259,604	$ 13,299,912
Accounts payable, other	1,760,863	1,285,923
Guarantee implementations payable	1,111,709	512,950
Accrued incentives payable	9,612,606	7,387,780
Principal due within one year on long-term debt (Note 14)	15,000,000	11,240,000
	46,744,782	33,726,565
Long-term debt (Note 14)	703,000,000	537,000,000
Equity:		
Reserve for contingent liabilities (Note 15)	6,629,000	3,608,000
Retained earnings, Statement B	4,598,684	3,679,644
	11,227,684	7,287,644
Trust (Note 11)	86,914	109,823
	$761,059,380	$578,124,032

The accompanying notes are part of these financial statements.

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

Statement of Revenue, Expense and Retained Earnings

for the year ended March 31, 1983

Statement B

	1983	1982
Revenue:		
Interest	$ 71,405,439	$48,974,244
Administrative fees	58,433	55,683
Miscellaneous	7,180	160,834
	71,471,052	49,190,761
Expense:		
Interest on long-term debt	86,562,619	54,568,352
Operating, Schedule I	6,182,969	4,737,219
Farm loan incentives, Schedule 2	23,762,637	13,972,274
Provision for doubtful accounts and losses (Note 12)	10,572,123	6,917,729
	127,080,348	80,195,574
Operating loss	55,609,296	31,004,813
Contribution by the Province of Alberta (Note 4)	59,549,336	31,175,000
Net income for the year	3,940,040	170,187
Retained earnings at beginning of year, as restated (Note 3)	3,679,644	3,517,457
	7,619,684	3,687,644
Transfer to reserve for contingent liabilities (Note 15)	3,021,000	8,000
Retained earnings at end of year	$ 4,598,684	$ 3,679,644

Statement of Changes in Financial Position

for the year ended March 31, 1983

Statement C

	1983	1982
Funds were provided from:		
Net income for the year, Statement B	$ 3,940,040	$ 170,187
Doubtful accounts provision	10,572,123	6,917,729
Depreciation	35,712	17,204
Funds from operations	14,547,875	7,105,120
Proceeds from issue of long-term debt	181,000,000	232,000,000
Repayments of direct loans receivable	12,792,748	6,890,876
Increase in accounts payable, Province of Alberta	5,959,692	8,408,264
Increase in accrued incentives payable	2,224,826	5,138,880
Recoveries of guarantee implementations receivable	571,063	565,497
Increase in accounts payable, other	474,940	821,955
Recoveries of other assets	—	809,284
	217,571,144	261,739,876
Funds were applied to:		
Disbursements of direct loans	212,683,100	217,043,400
Repayments of long-term debt	11,240,000	7,000,000
Increase in accrued interest receivable	11,145,015	11,845,774
Implementation of guarantees	2,092,467	5,523,137
Fixed asset purchases	266,341	39,494
Increase in other assets	83,270	60,932
Increase (decrease) in accounts receivable	46,121	(12,192)
	237,556,314	241,500,545
Increase (decrease) in cash and deposits in trust	$ (19,985,170)	$ 20,239,331

Schedule of Operating Expense

for the year ended March 31, 1983

Schedule 1

	1983	1982
Salaries and wages	$4,186,346	$3,194,815
Travel	580,774	476,622
Employee benefits	466,093	314,972
Directors' fees	200,723	189,350
Professional fees	108,889	137,407
Communications	90,467	62,046
Stationery and office supplies	81,199	40,315
Data processing	79,899	38,864
Equipment rental and repair	76,990	80,910
Printing and binding	73,437	56,569
Postage, freight and express	51,670	17,507
Meetings and conferences	50,792	41,159
Equipment purchases	46,652	10,317
Depreciation	35,712	17,204
Legal	33,181	27,600
Advertising	20,145	17,160
Microfilming	—	14,402
	$6,182,969	$4,737,219

Schedule of Farm Loan Incentives

for the year ended March 31, 1983

Schedule 2

	1983	1982
Beginning farmer program	$21,859,344	$13,077,020
Dairy development incentive program	529,830	487,450
Alfalfa inventory support program	366,609	—
Alfalfa earned incentives program	340,000	—
Native range incentive program	315,066	286,443
Alfalfa industry program	187,727	—
Sheep incentive program	57,003	42,268
Vegetable storage program	54,089	4,503
Farm booster program	44,375	19,011
Grants to estates of deceased borrowers	8,594	55,579
	$23,762,637	$13,972,274

Notes to the Financial Statements

March 31, 1983

NOTE 1
Authority

The Alberta Agricultural Development Corporation operates under the authority of the Agricultural Development Act, Chapter A-7, Revised Statutes of Alberta 1980.

NOTE 2
Summary of Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles.

(b) Fixed assets and depreciation

Fixed assets having a cost in excess of $500 are capitalized and shown in the balance sheet. Depreciation is recorded on a straight line basis over the following estimated useful lives of the assets.

Electronic data processing equipment	5 years
Office equipment	10 years

(c) Allowance for doubtful accounts

The Corporation provides for losses on direct loans, guarantee implementations and other assets.

NOTE 3
Change in Accounting Policy

The Corporation has adopted the generally accepted accounting principle of recording fixed assets in the balance sheet and depreciating those assets over their estimated useful lives. Prior to April 1, 1982, the policy was to expense fixed assets in the year of purchase.

As at April 1, 1982, assets having a total cost of $159,447 were capitalized and accumulated depreciation of $74,197 related to those assets was recorded. Retained earnings were adjusted by $85,250 for the net book value of the assets recorded. Of this amount, $22,290 relates to 1982 and the comparative figures have been adjusted to capitalize fixed asset purchases of $39,494 and record depreciation expense of $17,204. Retained earnings at April 1, 1981 have been increased by $62,960 to $3,517,457.

The effect of the change in the current year is to capitalize $266,341 of fixed asset purchases which previously would have been expensed and to record $35,712 of depreciation expense.

NOTE 4
Financial Structure

The Corporation's operations are funded through the sale of debentures to the Alberta Heritage Savings Trust Fund and a contribution from the General Revenue Fund of the Province of Alberta.

Office accommodation and field support staff are provided at no charge by the Province and accordingly are not reflected in these financial statements.

NOTE 5
Deposits in Trust

Deposits in trust consist of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta.

NOTE 6
Accrued Interest Receivable

Accrued interest receivable consists of:

	1983	1982
Interest on direct loans	$32,455,210	$21,759,893
Interest on deposits in trust	442,570	903,758
Interest on guarantee implementations	2,104,185	1,292,633
	$35,001,965	**$23,956,284**

NOTE 7
Guarantee Implementations Receivable

Loan guarantee payments made to financial institutions for uncollectable loans made by them under the Corporation's guarantee are generally of a demand nature and are therefore classified as current assets.

	1983	1982
Guarantee implementations receivable	$10,261,392	$8,757,978
Less: Allowance for doubtful accounts (Note 12)	8,745,000	6,552,890
	$ 1,516,392	**$2,205,088**

NOTE 8
Direct Loans Receivable

Direct loans are secured by agreements for sale

and mortgages and are repayable in instalments due as follows, assuming that options to renew will be exercised when applicable:

	1983	1982
Arrears of principal and interest	$ 16,365,734	$ 10,398,756
Principal due in		
1 year	9,564,038	6,599,810
2 years	12,220,739	9,105,302
3 years	13,603,445	9,858,672
4 years	14,797,944	10,906,839
5 years	16,365,947	11,638,233
6-10 years	101,420,823	72,077,847
Over 10 years	545,993,379	400,361,168
	730,332,049	530,946,627
Less: Allowance for doubtful accounts (Note 12)	14,408,000	7,249,000
	715,924,049	523,697,627
Less: Current portion	25,929,772	16,998,566
	$689,994,277	**$506,699,061**

NOTE 9
Other Assets

Assets at cost, acquired by the Corporation as a result of security and related action are as follows:

	1983	1982
Unlisted preferred shares	$250,001	$250,001
Lambco plant, equipment and advances (Note 13)	652,229	568,959
	902,230	818,960
Less: Allowance for loss on realization (Note 12)	250,000	250,000
	$652,230	**$568,960**

NOTE 10
Fixed Assets and Depreciation

Fixed assets are comprised of the following:

	Cost	Accumulated Depreciation	1983 Net Book Value	1982 Net Book Value
Office equipment	$195,538	$ 89,871	$105,667	$77,387
Electronic data processing equipment	230,250	20,038	210,212	7,863
	$425,788	**$109,909**	**$315,879**	**$85,250**

NOTE 11
Trust Assets and Liabilities

Prior to December 15, 1975 the Province of Alberta indemnified the Corporation for all guarantee implementations in return for subrogation of collection rights. The balances shown reflect the total outstanding guarantee payments from this period less an estimated uncollectable amount of $300,000 (1982 $329,468).

NOTE 12
Allowance for Doubtful Accounts and Losses

Asset balances are shown net of the following allowances:

	Direct Loans	Guarantee Implementations	Other Assets	Total
Allowance at beginning of year	$ 7,249,000	$6,552,890	$250,000	$14,051,890
Less: Accounts written off	504,930	716,083	-	1,221,013
	6,744,070	5,836,807	250,000	12,830,877
Increase in allowance	7,663,930	2,908,193	-	10,572,123
Allowance at end of year	**$14,408,000**	**$8,745,000**	**$250,000**	**$23,403,000**

NOTE 13
Lambco Plant and Equipment

Pursuant to an agreement between Lamb Processors Co-op Ltd., the Province of Alberta and the Corporation, the Corporation acquired the net assets and business of the Co-op. The Corporation has since provided operating advances to Lambco in accordance with the agreement. Grants from the Province reimburse the Corporation for Lambco operating losses before depreciation expense and also for capital expenditures of Lambco to the extent that capital expenditures exceed any operating profit before depreciation expense for the year. As at March 31, 1983 the Corporation's investment in Lambco was $652,229 (1982 $568,959). Operating revenue and expenses of Lambco are not consolidated in the financial statements of the Corporation.

Furthermore, the Province will indemnify the Corporation for any losses which might be incurred on disposal of Lambco. Any disposal proceeds in excess of the Corporation's investment in Lambco will be payable to the Province.

NOTE 14
Long-Term Debt

Debentures payable to the Province of Alberta are as follows:

Series	Maturity Date	Interest Rate	Principal Outstanding 1983	1982
A1	March 31, 2004	10.15%	$ 46,000,000	$ 47,000,000
A2	March 31, 2004	9.63	69,000,000	70,500,000
A3	March 31, 2004	10.15	11,960,000	12,220,900
A4	May 1, 2004	10.35	20,680,000	21,120,000
B1	September 1, 2004	10.15	18,800,000	19,200,000
B2	March 1, 2005	11.85	18,800,000	19,200,000
C1	June 1, 2005	11.98	14,400,000	14,700,000
C2	August 1, 2005	11.94	24,000,000	24,500,000
C3	October 1, 2005	13.47	24,000,000	24,500,000
C4	December 1, 2005	13.66	14,400,000	14,700,000
D1	February 1, 2006	13.63	14,400,000	14,700,000
D2	March 1, 2006	14.20	24,000,000	24,500,000
D3	March 31, 2006	14.14	28,800,000	29,400,000
D4	May 1, 2006	15.41	14,700,000	15,000,000
D5	June 1, 2006	16.11	19,600,000	20,000,000
D6	July 1, 2006	16.00	12,740,000	13,000,000
D7	August 1, 2006	17.33	21,560,000	22,000,000
D8	September 1, 2006	17.71	9,800,000	10,000,000
E1	September 23, 2006	17.90	16,660,000	17,000,000
E2	October 1, 2006	17.81	18,620,000	19,000,000
E3	November 1, 2006	17.93	17,640,000	18,000,000
E4	December 1, 2006	15.78	16,660,000	17,000,000
E5	January 4, 2007	16.50	11,760,000	12,000,000
E6	February 1, 2007	17.12	18,620,000	19,000,000
E7	March 1, 2007	17.00	29,400,000	30,000,000
E8	April 1, 2007	16.28	19,000,000	
E9	June 30, 2007	17.28	20,000,000	
E10	August 1, 2007	16.83	18,000,000	
E11	September 1, 2007	15.29	11,000,000	
F1	September 23, 2007	15.00	33,000,000	
F2	November 1, 2007	13.43	15,000,000	
F3	December 1, 2007	12.82	11,000,000	
F4	January 4, 2008	12.41	21,000,000	
F5	February 1, 2008	13.03	13,000,000	
F6	March 1, 2008	12.64	20,000,000	
			718,000,000	548,240,000
	Less: Current portion		15,000,000	11,240,000
			$703,000,000	$537,000,000

Principal repayments due in each of the next five years are as follows:

Year ended March 31, 1984	$15,000,000
1985	16,380,000
1986	17,000,000
1987	18,500,000
1988	20,620,000

NOTE 15
Contingent Liabilities and Commitments

The Corporation has the following contingent liabilities and commitments:

- Approximately $80,930,000 (1982 $89,610,000) with respect to loan guarantees against which a specific reserve for potential losses of $6,629,000 (1982 $3,608,000) has been accrued.
- Approximately $93,500,000 (1982 $85,000,000) with respect to farm loan incentives which will arise over the next five years if applicants comply with requirements of the programs.
- As at March 31, 1983 undisbursed loans of $45,642,500 (1982 $56,682,800) had been approved.

NOTE 16
Comparative Figures

The 1982 figures have been restated where necessary to conform to 1983 presentation.

NOTE 17
Approval of Financial Statements

These financial statements were approved by management on June 30, 1983.

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

POOR

QUALITY

ORIGINAL